Internal and External Analysis of Jio

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ABSTRACT

Internal and External Environmental Analysis was carried out, Industry selected was the Telecom Industry. The company which got Volte (Voice Over Long Term Evolution) first in India and is currently the market leader with 39% market share with capital investment of 1.50 Lakh Crore; Reliance Jio.

Researcher has compared the data plans along with spectrum bands to know how Jio is retaining its position in the market by beating its competitors. By the use of Porters Five Forces group has gaged the competitive pressure in the current market and its results on Jio. To know the full environment of Jio and its impact politically, environmentally, socially and technologically on the current market as per the Telecom Industry there is PEST analysis undertaken. There is discussion done on the opportunities for Jio taking into consideration the other tools also group has mentioned the threats to Jio due to other existing players in market.

To know the entire process of Value Creation and know the internal analysis of Jio tools like Value Chain Analysis has been used. To know how Jio is segmenting the masses of India along with its targeting and positioning strategy has been discussed by the group. How Jio overcomes its threats group has mentioned the strengths and weaknesses of Jio after they have entered the market. To know the source of sustainable competitive advantage there has been Value, Rarity, Imitability and Non–Substitute (VRIN) analysis carried out. To understand the blue ocean strategy and red ocean strategy group has used the strategy canvas. Hence on doing an in-depth study of the internal and external environment of Reliance Jio, suitable and relevant suggestions for Jio have been provided at the end of the Group Report.

Keyword: - Jio, communication, technology, services, 4G ,porters 5 forces

1. TITLE- Internal and External Analysis of Jio

India having the number of auctions for airwave networks and connections there are maximum number of spectrum bands currently available in India. As of 2015, India is the only country to have both strong telecom services along with the lowest spectrum bands (Mint Research, 2015). Reliance being the parent company of Jio which is into Telecom sector providing 4G network services and 100% VoLTE (Voice Over Long Term Evolution) (Bhawar 2017) services. The company has invested Rs. 1,50,000 Crore (Reuters,2017) in the telecom sector. Initially, Jio provided free 4G internet services and free voice calls for a period of one year (Jio,2017) to its subscribers and currently they have overpowered the market by providing data and voice call services at low prices as compared to the competitors. Jio was officially introduced on 5th September 2016 (Raghavendra Holla, 2017) in India whereas the company distributed trial packs to its existing employees on 27th December 2015.

2. Objectives:

1)To analyse internal environment of Jio Value Chain Analysis, Segmenting, Targeting and Positioning and Strengths and Weakness.

2) To analyse external environment of Jio using Industry analysis, Porter’s Five Forces, PESTLE Analysis and opportunities and threats.
3. Industry Analysis:

The number of mobile phone users in Telecom Industry has been increasing by 5.54% (IBTimes, 2016) every year along with the number of mobile subscribers since 2005. As a result, Jio has gained 39.60% market share (TRAI, 2017) in its first year only while launching its free services despite the impose of GST (Goods & Service Tax) in India. But there are 93% of prepaid subscribers and only 7% of subscribers who are using postpaid network services (Statista, 2017) whereas, GST has been imposed only for the postpaid service providers.

Spectrum band playing the most important role in the telecom sector, varying from very low frequency to extremely high frequency. Jio has the least spectrum (Jio, 2017) band when compared to other competitors which is a positive point for Jio as the network clarity and data strength is the most powerful among its its rivals. The plans of Jio as compared to other telecom players ranges from Rs. 149 per month for 1GB 4G data and highest being of Idea Rs. 249 for 1GB 3G data (Gadgetsnow, 2017) (Annexure Number: 16). It is because of speed, lower data plans, and the first company to come up with VoLTE technology, Jio achieved success in not less than year and has had an upper hand when compared to its competitors like Vodafone and Idea who are struggling to survive in the market.

4. External Environmental Analysis

4.1 Porter’s Five Forces:

The bargaining power of customers is high because Number Portability is easily accessible to all consumers and they have a choice between different telecom service providers. Consumers can choose from a different plans offered by multiple telecom (Hubmobiles, 2016) companies according to their requirements. They can switch to any service provider as no switching costs are involved.

Competitive rivalry is high in this industry as there are established brands in the industry. Airtel, Vodafone, and Idea have been in the industry for around a decade. The plans offered by Airtel (ETelecom, 2017) and Vodafone were similar before Jio entered the market. To survive in the market, Airtel has used defensive strategy and reduced its prices to compete by Jio.

Threat of new entrants and substitutes is low because the telecom industry requires high capital investment. Jio has already invested around Rs. 1.5 lakh crore for pan India (Reuters, 2017) operations. It will also be fairly difficult for new companies to survive as there are already established networks. Even though Jio is a new company, there are high chances for the company to survive as they have more capital to invest (Financialtimes, 2017). Jio took approximately five years to develop VoLTE technology and hence it is a sustained competitive advantage. It will take new companies years to develop this technology which reduces chances for a new company or a rival to be as successful as Jio as they have a first mover advantage with VoLTE and 5G.

4.2. PESTLE Analysis:

Politically, Jio is following the Prime Minister’s vision of Digital India. Among many Jio apps, Jio Money facilitates customers to pay or transfer money digitally. The company is supported by government as it falls in the ‘Make in India’ scheme that has been encouraged by the government. (Business standards journal, 2016) (Annexure Number: 20). Economically, after the demonetization Jio started giving out free data for a few months. This helped the company attract more customers and increase GDP growth by 1.38% (Indian Economy, 2015) (Annexure Number: 21). Socially, Reliance Industries spent more than Rs. 750 crores in terms of Corporate Social Responsibility (CSR) (Thehindu, 2016). Jio offered free internet services to Indore Traffic Police and are planning to offer their services to other cities. They are planning to provide free services at government schools, and hospitals (Ibtimes, 2017). Technologically, the VoLTE technology is the most advanced technology in the country. This technology provides better call quality over its competitors as voice calls are broken up into packets of information (Business standards, 2016).

Environmentally, Jio has installed safe and environment – friendly towers that do not emit electromagnetic radiation. (Rajat Agarwal, 2015)
4.3. Opportunities and Threats:

There has been a drastic increase in the number of Jio subscribers in the recent times. After the first month of launch there has been an increase in subscribers by 1.13% between January and February 2017. (Ijrsrm,2017). Reliance Industries being the parent company which has widespread business operations (RIL,2017) and more than 50 business operations across the world with good reputation in the market. Even as the telecom industry has seen monochrome growth in the subscribers, Jio has great opportunity to expand in worldwide networks and to be the best in the industry with less spectrum band, strong tower connectivity and low tariff plans (Jio,2017) which would help to sustain their position.

Once these free services of 4G data and voice calls are over, there is a huge threat to Jio and high probability (ijrsrm,2017) of switching costs is involved as the subscribers may switch to other network providers. Also as there are established players in the market like Vodafone and Idea, they already have a strong customer base. The recent merger talks between Vodafone and Idea (Business standards,2017) has imposed a threat on Jio. Due to the merger, Vodafone’s capital investment capacity has increased and the combined customer base will help them to boost their sales at low tariff plans (Economic times,2017).

5. Internal Environmental Analysis

5.1 Value Chain Analysis:

Jio manufactured and imported around 435,000 SIM cards from China before January 2016 (Economictimes,2016). Reliance Jio has signed with GTL Infrastructure Ltd. (Indiainfoline,2016) for tower infrastructure sharing Jio is also planning to add more 1,00,000 (Economic times,2017) towers for better network. Only Reliance Jio uses VoLTE technology and hence the company has competitive advantage and first mover advantage in the industry (Jio,2017) (Annexure Number: 23). With Jio planning to launch 5G soon, it is already far in front of its rivals which will facilitate in gaining more market share. Jio is planning to expand its operations in the DTH and broadband (Business standards journal, 2017) services market and have planned to invest Rs. 18,000 crores for its fibre network. Jio has more than 40,000 employees that are spread across the 1200+ stores (Reliancedigital,2017) across the country and the 24/7 customer care service centres. Jio has a unique way to market its products and was the only brand to sponsor (Gadgetsnow,2017) 7 out of the 8 IPL teams during IPL 2017.

5.2. Segmenting, Targeting and Positioning:

Jio has segmented the market based on the masses and have targeted the youth, employees and working class of the society (Jio,2017). The offer provided by Jio are more valuable in terms of both, cost and service as seen in the graph (Annexure Number: 9) due to which there has been increase in Jio subscribers. Moreover, the consumers are targeted by Jio bundling with LYF phones (Danish Khan,2016) and giving free Jio services. Jio applications, a Jio SIM card, and a Jio 4G enabled phone is provided in the bundled offer. Jio has positioned themselves in market as a company which provides regular offers to its customers. Recently after the launch (Moneycontrol, 2017) the Apple iPhone 8 and iPhone X, Jio has tied up with Apple with a 70% buyback offer (Piyush Pandey,2016) for the customers. Such offers are not provided by other company and hence Jio has a upper hand and advantage over other companies.

5.3 Strength & Weakness:

The investment cost by Jio in the telecom market is one of the major strengths of Jio in the telecom market. Approximately, Jio has invested Rs.1,50,000 crore (Livemint,2017) due to which they have the power to bear the losses that they are making by providing free services to the consumers. Jio also has a wide spread network and cover all 22 circles (Chaprama,2017) in India. Jio offers a range of applications for movies, shopping, and payment gateway among others(Jioapps,2017) Jio has focused towards the Prime Minister’s vision of Digital India. Reliance Jio’s success has facilitated Reliance Industries Limited to surpass its competitors and achieve 2nd position in the market for its brand value (Financial Express,2017). Reliance Industries as increased its reputation et after the launch of Jio and its success in market which has led to a 9% increase in the company’s brand value. Jio covers all 22 network circles across the country, like its competitors Idea and Airtel who also cover 22 network circles. But
Airtel and Idea’s tariff plans are not as cheap when compared to that of Jio. If Jio incurs losses and in the future plan to hike their prices, there are chances for Jio to loose its customers (Teleeconomictimes,2016). Although consumers are making optimum utilization of data packages, 60%-70% revenue (Nishit Kumar,2016) is generated by voice calls. This has been a weakness as Jio has voice call service which is being offered for free which can hamper their profits in the future. Due to strong financial background and brand value Jio can overcome these weaknesses (Siliconindia,2017). According to the observation a conclusion has been made in comparison to other companies. There is rating scale of 1-5 and Jio has been rated the highest. In terms of price, quality, services, network, and plan options. Jio is doing phenomenally well when compared to its rivals in the industry.

5.4 VRIN Framework:

Similarity between the brand image (Economic Times,2017) and consumer base for JIO which leave it as a very valuable factor due to the fact that Jio’s parent company Reliance was a major player in the market and has a good brand image and also merge with Jio for 5G (Gsmarena,2017). Leaving company with a good start even with customers, further in marketing and sale, despite areas which can be imitated by other companies like hoardings and adverts (Insidesport,2017). Jio has sponsored 7 out of 8 IPL teams to hold a rare marketing strategy compared to its competitors. In 2016 alone the telecom industry has spent 4.5 thousand crore (Annexure Number: 26) (Economictimes,2017) just in advertisements, JIO in the coming years plans to grow this trend efficiently.

5.5 Strategy Canvas:

The Indian Telecom Industry has high competition among them as mentioned in Porter’s Five Forces. All the companies compete on the basis of prices of the plans offered by the service providers. This is because the companies want to attract maximum market share to increase their market share in the industry, and hence the prices of plans offered by the telecom services fall in the Red Ocean Strategy (Hubmobile,2017).

As mentioned in strengths, Jio offers a number of applications from JioTV to Jio Money for its users and is the only telecom provider to do so. Jio has also launched a 4G phone recently which only costs Rs.1500 (Jio,2017). Hence, Value Added Services falls in the Blue Ocean Strategy (Gadgetsndtv,2016).

6 Suggestions:

After researching about Reliance Jio, we would like to give few suggestions to Jio.

It is the only company to provide VoLTE (Voice Over Long Term Evolution) technology in India along with 4G services. As mentioned in the VRIN Framework, Jio has an 18-month head start over its competitors wherein they can start planning for a strong 5G network and launch 5G services in India. As mentioned in PEST analysis, Jio can gear up and take permissions from the government as the act is supported by the Prime Minister’s vision of Digital India.

Jio can set up international towers and networks worldwide along with its already existing networks Pan - India. Nowadays, frequent flyers from India travel abroad and they have to change their SIM cards while travelling. A solution to this can be that, Jio can either set up international towers worldwide or have a strategic alliance with one of the international companies. For example: Jio can tie up with British Telecom in the United Kingdom or with AT&T in the United States of America.

7 References:


